

Help for Individuals, Families and Small Businesses

A Resource Guide to H.R. 1, the American
Recovery and Reinvestment Act



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Dear Fellow Mainer:

With the President's signature, the stimulus package is now law. There was a healthy back and forth and some serious debate and consideration about what should and shouldn't be in the package. In my view, the final product was not perfect. But it was a necessary step to jumpstart our economy. I compiled this resource guide to help describe the benefits to you and your family as well as the many small businesses of our state.

The bill contained a number of very important investments for Maine that will help create and retain jobs. The package extends unemployment benefits and increases food stamps. These are investments that I strongly support. These programs deliver help to those who most need it. They also stimulate the economy because beneficiaries will quickly spend the additional funds. In fact, for every dollar spent on unemployment insurance benefits, \$1.63 in economic activity is generated, and for food stamps it is \$1.73 for each dollar invested. The investments in unemployment benefits alone will help over 70,000 Mainers.

The bill also invests \$174 million in Maine's infrastructure, which will create jobs quickly and improve our state's roads and bridges. An investment of \$195 million will go to Maine for school repairs and other important state priorities. While I believe that there should have been more investments like these in the package, the combination of targeted investments and tax incentives is a step in the right direction.

Moving forward it's important to continue to make smart budget choices so that we invest in an economic recovery that is sustainable.

We need to continue to invest in small businesses and continue the gains made in the stimulus bill. We must also continue to invest in education. The stimulus bill invests in energy infrastructure and development that will help us to reduce our dependence on foreign oil and create jobs. These types of investments need to be coupled with future commitments to addressing our nation's energy needs. That's why I am continuing to push a bill that would provide tax incentives that would help manufacturers convert to biomass power. This will help create and maintain jobs while at the same time promoting a more sustainable, locally-produced energy source.

We also need to follow up on the transportation and infrastructure investments made in the bill. As a member of the House Transportation and Infrastructure Committee, I will be working with my fellow committee members in writing the next multi-year reauthorization of our transportation programs. I am hopeful that we can fix our state's truck weight problem. I am also working to ensure that Maine receives a level of transportation funding that will allow for substantial improvements, rather than simply maintaining our current infrastructure.

We must also not lose sight of the need to address our growing health care crisis. Unfortunately, health care costs continue to spiral out of control. This is a huge burden on small businesses, and has been cited as a major cause for the slow job recovery nationwide. I believe that we must get a handle on this problem and take steps at the national level to lower costs, promote access, and push for full coverage.

The road to recovery may be a long one, but as a country we must move forward. We must fight to preserve the jobs that we have, while we seek out new opportunities to put Mainers to work. The stimulus package is a first step, but so much more remains to be done. Please contact my office if I can be of help with any of the provisions that I have outlined in this report.

Sincerely,



Mike Michaud
Member of Congress

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Help for Individuals and Families

Refundable First Time Home Buyer Tax Credit

There is an \$8,000 tax credit for first-time home buyers who purchase a home from Jan 1, 2009 to December 1, 2009. It also eliminates repayment obligations that are under current law unless the home is sold within three years of purchase. In that case, the credit would still be subject to the current law recapture rules.

How to Apply: Eligible taxpayers can claim this credit when filing their taxes.

Student Financial Assistance

Funding Agency: Department of Education

Federal Funding: \$15.84 billion

Description: \$15.64 billion of the funding will go to Pell Grants and \$200 million will be allocated for College Work-Study. The maximum Pell Grant award will be raised to \$5,350.

How to Apply: Applicants for a Pell Grant should visit <http://www.ed.gov/programs/fpg/index.html> or www.fafsa.ed.gov or <http://studentaid.ed.gov> or www.students.gov to obtain application and further information.

Computers as Qualified Education Expenses in 529 Education Plans

Plans are tax-advantaged savings plans that cover all qualified education expenses, including: tuition, room & board, mandatory fees and books. The bill provides that computers and computer technology qualify as qualified education expenses.

How To Apply: Families that use 529 Education Plans will now be able to withdraw funds from the 529 account, tax free, to go toward to purchase of computers or computer technology.

Employee Benefits: Making Work Pay

Working Maine residents are eligible for a refundable tax credit of \$400 for individuals and \$800 for couples filing jointly in 2009 and 2010. It is important to note that this tax benefit is a credit. The previous economic stimulus was paid out through rebate checks. That is not the case here. For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take-home pay. The amount of the credit must be reported on the employee's 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their 2009 tax return.

How to Apply: Taxpayers will receive this benefit through a reduction in the amount of income tax withheld from their paychecks. Taxpayers may consult with their employer and visit www.irs.gov for more information.

Sales Tax Deduction for Vehicle Purchases

The provision provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return).

How to Apply: Taxpayers can seek this deduction by claiming the deduction on their 2009 tax return. If you have any questions regarding this provision, please contact the IRS at <http://www.irs.gov> or call the IRS toll free at (800) 829-1040.

Tax Credits for Energy-Efficient Improvements to Existing Homes

This provision would extend the tax credits for improvements to energy-efficient existing homes through 2010. Under current law, individuals are allowed a tax credit equal to ten percent (10%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during the taxable year. This tax credit is capped at \$50 for any advanced main air circulating fan, \$150 for any qualified natural gas, propane, oil furnace or hot water boiler, and \$300 for any item of energy-efficient building property. For 2009 and 2010, this provision would increase the amount of the tax credit to thirty percent (30%) of the amount paid or incurred

by the taxpayer for qualified energy efficiency improvements during the taxable year. This provision would also eliminate the property-by-property dollar caps on this tax credit and provide an aggregate \$1,500 cap on all property qualifying for the credit. This provision would update the energy-efficiency standards of the property qualifying for the credit.

How to Apply: Participants will be able to file for the tax credit on their tax return.

Temporary Suspension of Taxation of Unemployment Benefits

Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The proposal temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Any unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009.

How to Apply: The provision will take effect and suspend the withholding of federal income tax on unemployment benefits automatically.

Extension of Emergency Unemployment Compensation

Through December 31, 2009, this provision continues the Emergency Unemployment Compensation program, which provides up to 33 weeks of extended unemployment benefits to workers exhausting their regular benefits.

How to Apply: Those receiving unemployment compensation will automatically receive this extension.

Increase in Unemployment Compensation Benefits

The bill increases unemployment weekly benefits by an additional \$25 through 2009.

How to Apply: Those receiving unemployment compensation will automatically receive this extension.

Expansion of Trade Adjustment Assistance (TAA) Programs

This provision expands current Trade Adjustment Assistance Programs. Among other things, it extends TAA to trade-affected services sector workers and workers affected by off shoring or outsourcing to all countries, including China or India. It increases training funds available to states by 160 percent to \$575 million per fiscal year, creates a new TAA program for trade-affected communities, allows for automatic TAA eligibility for workers suffering from import surges and unfair trade, makes training, healthcare and reemployment TAA benefits more accessible and flexible, and improves the TAA for Firms and TAA for Farmers programs. It reauthorizes all TAA programs (which expired December 31, 2007) through December 31, 2010.

How to Apply: TAA is administered through the Department of Labor Employment and Training Administration. For more information, visit <http://www.doleta.gov/tradeact/>.

Health Care: COBRA (Consolidated Omnibus Budget Reconciliation Act)

To assist individuals in maintaining health coverage, the bill provides a 65% subsidy for COBRA continuation premiums for up to 9 months for workers who have been involuntarily terminated, and for their families. This subsidy also applies to health care continuation coverage if required by states for small employers. To qualify for premium assistance, a worker must be involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy would terminate upon offer of any new employer-sponsored health care coverage or Medicare eligibility. Workers who were involuntarily terminated between September 1, 2008 and enactment, but failed to initially elect COBRA because it was unaffordable, would be given an additional 60 days to elect COBRA and receive the subsidy. To ensure that this assistance is targeted at workers who are most in need, participants must attest that their same year income will not exceed \$125,000 for individuals and \$250,000 for families.

How to Apply: Current law requires employers to work with employees about how to access COBRA and private health plans must also assist former employees in receiving this benefit. Additional information can be found at: <http://www.dol.gov/dol/topic/health-plans/cobra.htm>.

Supplemental Nutrition Assistance Program/Food Stamps

Funding Agency: Department of Agriculture

Federal Funding: \$19,900,000

Description: This money will go directly to states to supplement their existing food stamp program. The money will be distributed based on the need of people in their state. The benefits will be given to recipients in April.

Energy Efficient Appliance Rebate program and Energy Star program

Funding Agency: Department of Energy

Federal Funding: \$300 million

Description: This funding will provide rebates for consumers for the purchase of residential Energy Star products to replace used appliances with more efficient models.

How to Apply: The Department of Energy will administer these rebates through the Energy Star program. Please visit www.energystar.gov for more information as the program is implemented.

Weatherization Assistance Program

Funding Agency: Department of Energy

Federal Funding: \$5 billion

Description: Helps low-income families reduce their energy costs by sending funds to the states to weatherize low-income homes. Services include attic, wall and basement insulation, blower-door-guided air leakage reduction; heating system repairs or replacement; and health and safety testing and inspections. All measures are provided based on an on-site energy audit and on cost-effective guidelines. The program has been expanded to include households at or below 200% of the federal poverty guidelines. The maximum allowed per household has been increased from \$2,500 to \$6,500.

How to Apply: Funds will be added to the State's Weatherization Program.

Tax Credits for Homeowners

In a bill signed into law last year by Congress, new-first time homeowners are eligible for a refundable tax credit, equal to an interest-free loan equal of up to 10 percent of the purchase of a home (up to \$7,500). The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return).

However, the American Recovery and Reinvestment Act signed into law February of 2009, eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009 and also increases the maximum value of the credit to \$8,000. Additionally, it removes the prohibition on financing by mortgage revenue bonds and extends the availability of the credit for homes purchased before December 1, 2009.

This tax credit only applies to the individual's primary residence and if the individual changes residency within 36 months of the purchase, they will be required to payback the credit. If you have any questions regarding this provision, please contact the IRS at <http://www.irs.gov> or call the IRS toll free at (800) 829-1040.

Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits

This provision would provide a one-time payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs. This payment will be tax-free and it will not count toward income that would reduce other federal benefits such as Medicaid or Food Stamps. The one-time payment is a reduction to any allowable Making Work Pay credit.

How to Apply: There is no need to apply for this payment – it will automatically come to recipients. The Social Security Administration expects everyone who is entitled to a payment to receive it by late May 2009.

Beneficiaries will receive the funds in the same way that they generally receive benefits, either by check in the mail or by direct deposit.

Refundable Credit for Certain Federal and State Pensioners

The bill also provides a one- time refundable tax credit of \$250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

How to Apply: For more information, please visit www.irs.gov or www.treasury.gov.

Child Tax Credit

A child tax credit is a tax credit based on the number of dependent children in a family. This provision would increase the eligibility of the refundable child tax credit.

How to Apply: The provision is effective for taxable years beginning after December 31, 2008. The tax credit will be given after filing for taxes. For more information, visit www.irs.gov.

Increase in Earned Income Tax Credit

The earned income tax credit (EITC) is a tax credit for low-income working individuals and families that is refundable for certain taxpayers, meaning it can be claimed even if the credit is worth more than the taxes owed. This provision would temporarily increase the earned income tax credit from 40% to 45% for working families with three or more children.

How to Apply: Taxpayers will receive this credit by claiming the credit on their tax returns. The provision is effective for taxable years beginning after December 31, 2008. For more information about the EITC, please contact www.irs.gov.

WIC (Women's Infants and Children) Contingence

Funding Agency: Department of Agriculture

Federal Funding: \$5 Million

Description: WIC provides Federal grants to States for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk.

How to Apply: State agencies are responsible for determining participant eligibility and providing benefits and services, and for authorizing vendors. For more information and to apply, please visit www.grants.gov and <http://www.fns.usda.gov/wic/howtoapply/default.htm>.

Alternative Minimum Tax Relief

This provision would provide more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals.

How to Apply: This benefit will automatically go into effect without any action from the taxpayer.

Funding for Small Business Development

Small Business Administration's (SBA) 504 certified development company (CDC) program

This program provides \$636 million for new direct lending and guarantee authorities under the Small Business Administration's (SBA) 504 certified development company (CDC) program, which provides growing businesses with long-term; fixed-rate financing for major fixed assets, such as land and buildings.

Temporary Fee Reductions or Eliminations – Making Small Business Loans More Affordable

The American Recovery and Reinvestment Act provides \$375 million for temporary fee reductions or eliminations on SBA loans. Most fees are reduced or eliminated through September 2010 on certain SBA loans.

Business Stabilization Loans

The American Recovery and Reinvestment Act creates a new SBA loan program to provide deferred-payment loans of up to \$35,000 to viable small businesses that need the money to make payments on an existing, qualifying loan for up to six months. These loans will be 100 percent guaranteed by SBA. Repayment would not have to begin until 12 months after the loan is fully disbursed.

Microloans

The American Recovery and Reinvestment Act provides \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders. This expands SBA's Microloan program, which provides small loans (up to \$35,000) paired with technical assistance to start-up, newly established or growing small businesses. Historically, these loans reach low-income individuals, women and minorities in both rural and urban areas. The program is expanded through September 30, 2010.

Refinancing

The American Recovery and Reinvestment Act authorizes refinancing for certain SBA loans so borrowers can expand their businesses on favorable terms, and help create jobs in their communities. This loan authority is through the 504 Certified Development Company program.

Contact Information for the Small Business Administration

To date, the Small Business Administration (SBA) has not provided details about how fast the changes made in the American Recovery and Reinvestment Act will be implemented. For more information in the coming days, visit the SBA website at <http://www.sba.gov> or contact the local office at the following contact information:

Edmund S. Muskie Federal Building, Room 512

68 Sewall Street

Augusta, ME 04330

(207) 622-8551

Website: <http://www.sba.gov/localresources/district/me/index.html>

I also encourage you to consult with the Small Business Development Center (SBDC) in Maine. The SBDC program is a cooperative effort of the private sector, the educational community, and federal, state, and local governments. Maine SBDCs are located throughout the state and can be reached by calling (207) 780-4420 or visiting their website at <http://www.mainesbdc.org>.

Small Business Tax Relief

Advanced Energy Investment Credit

This provision establishes a new 30% investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The Secretary of Treasury must establish a certification program no later than 180 days after date of enactment, and may allocate up to \$2.3 billion in credits. Advanced energy property includes technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration.

How to Apply: Please check www.energy.gov for more information as the Advanced Energy Investment Credit is implemented.

Long-term Extension and Modification of Renewable Energy Production Tax Credit

This proposal would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). This proposal would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities.

How to Apply: This proposal extends existing tax credits. Information on how to file can be found at www.irs.gov.

Extension of Bonus Depreciation

Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.

How to Apply: The extension of the first-year depreciation deduction is generally effective for property placed in service after December 31, 2008. This benefit can be claimed when filing for taxes.

Extension of Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to \$125,000 of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000. Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009.

How to Apply: Small business can obtain this credit when filing for taxes.

5-Year Carryback of Net Operating Losses for Small Businesses

A net operating loss (NOL) means the amount by which a taxpayer's business deductions exceed their gross income. Under current law, NOLs may be carried back to the two taxable years before the year that the loss arises and carried forward to each of the succeeding twenty taxable years after the year that the loss arises. For 2008, the bill would extend the maximum NOL carryback period from two years to five years for small businesses with gross receipts of \$15 million or less.

How to Apply: This provision is effective for net operating losses arising in taxable years ending after December 31, 2007. The taxpayer can file for this benefit when filing for taxes.

Work Opportunity Tax Credit

Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees: (1) unemployed veterans; and (2) disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

How to Apply: Companies can claim this credit when filing their taxes.

Temporary Reduction of Small Business Corporation Built-In Gains Holding Period from 10 Years to 7 Years.

Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. An S Corporation pays no corporate level tax. Instead a loss of gain goes directly to their shareholders. When a company converts to an S corporation, they must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from ten years to seven years for sales occurring in 2009 and 2010.

How to Apply: This provision will go into effect for businesses for taxable year beginning after December 31, 2008.

Small Business Capital Gains

This provision increases the percentage of exclusion for qualified business stock sold by an individual from 50 percent to 75 percent.

How to Apply: This provision is effective for stock issued after the date of enactment and before Jan. 1, 2011. Businesses can claim this credit when filing for taxes.

Delayed Recognition of Certain Cancellation of Debt Income

Under current law, a taxpayer generally has income where the taxpayer cancels or repurchases debt for an amount less than its adjusted issue price. The amount of cancellation of debt income ("CODI") is the excess of the old debt's adjusted issue price over the repurchase price. Certain businesses will be allowed to recognize CODI over 10 years (defer tax on CODI for the first four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011.

How to Apply: Business can claim this when they file for taxes. For information on qualifications, visit www.treasury.gov.

Clean Renewable Energy Bonds ("CREBs")

This provision authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.

How to Apply: Qualified participants will be able to utilize this bond program as it is developed. Check www.treasury.gov for additional information after this program is implemented.

Repeal Subsidized Energy Financing Limitation on the Investment Tax Credit

Under current law, the investment tax credit must be reduced if the property qualifying for the investment tax credit is also financed with industrial development bonds or through any other Federal, State, or local subsidized financing program. The provision in the American Recovery and Reinvestment Act would repeal this subsidized energy financing limitation on the investment tax credit in order to allow businesses and

individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds or through any other subsidized energy financing.

How to Apply: Participants will find that the financing limitation for subsidized energy has been removed.

Delay Application of Withholding Requirement on Certain Governmental Payments for Goods and Services

For payments made after December 31, 2010, current law requires withholding at a three percent rate on certain payments to persons providing property or services made by Federal, State, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services. Numerous government entities and small businesses have raised concerns about the application of this provision. The provision would delay for one year (through December 31, 2011) the application of the three percent withholding requirement on government payments for goods and services in order to provide time for the Treasury Department to study the impact of this provision on government entities and other taxpayers.

How To Apply: This provision is effective on the date of enactment.

Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit

Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30%) investment tax credit in the year that the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit. The production tax credit is payable over a ten-year period. Because of current market conditions, it is difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The bill would allow facilities to elect to claim the investment tax credit in lieu of the production tax credit.

How to Apply: Participants will be able to file the tax credit on their tax return. For more information, visit www.irs.gov.